



DEPARTMENT OF THE TREASURY

INTERNAL REVENUE SERVICE

22 N Front St, Room 426  
Memphis, TN 38103

UIL: 501.04-01

TAX EXEMPT AND  
GOVERNMENT ENTITIES  
DIVISION

APR 04, 2007

Release Number: **201321036**

Release Date: 5/24/2013

Legend:

ORG=Name of ORG

Person to Contact

Identification Number:

Contact Telephone Number:

In Reply Refer to: TE/GE Review Staff

ORG

Dear :

This is a Final Adverse Determination as to your exempt status under section 501(c)(4) of the Internal Revenue Code.

Our adverse determination was made for the following reasons:

ORG fails to meet the requirement for exemption under IRC 501(c)(4). Section 1.501(c)(4)-1(b) Treasury Regulations reads, "Local associations of employees described in section 501(c)(4) are expressly entitled to exemption under section 501(a). As conditions to exemption, it is required (1) that the membership of such an association be limited to the employees of a designated person or persons in a particular municipality, and (2) that the net earnings of the association be devoted exclusively to charitable, educational, or recreational purposes." Section 501(m)(1) of the Internal Revenue Code states, "An organization described in paragraph (3) or (4) of subsection (c) shall be exempt from tax under subsection (a) only if no substantial part of its activities consists of providing commercial-type insurance."

As a result of our recent audit of your organization's activities for the period ended December 31, 20xx, it was determined that a substantial part of your activities is providing commercial-type insurance to members; therefore, we are revoking your organization's exemption from Federal income tax under section 501(c)(4) of the Internal Revenue Code effective January 1, 19xx.

You have executed the Form 6018-A agreeing to this revocation, you have filed Form 1120PC for all tax years since 19xx, and you have indicated you will continue those filings with the appropriate Internal Revenue Campus.

You have the right to contact the office of the Taxpayer Advocate. However, you should first contact the person whose name and telephone number are shown above since this person can access your tax information and can help you get answers. You can call 1-877-777-4778 and ask for Taxpayer Advocate assistance. Or you can contact the

Taxpayer Advocate from the site where the tax deficiency was determined by writing to:  
Internal Revenue Service, Office of Taxpayer Advocate

Taxpayer Advocate assistance cannot be used as a substitute for established IRS procedures, formal appeals processes, etc. The Taxpayer Advocate is not able to reverse legal or technically correct tax determinations, nor extend the time fixed by law that you have to file a petition in the United States Tax Court. The Taxpayer Advocate can, however, see that a tax matter that may not have been resolved through normal channels, gets prompt and proper handling.

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely yours,

Marsha A Ramirez  
Director, BO Examinations

Enclosure:  
Copy of Form 6018-A



TAX EXEMPT AND  
GOVERNMENT ENTITIES  
DIVISION

DEPARTMENT OF THE TREASURY  
Internal Revenue Service

Legend:

ORG = Name of Organization

Address = Address of ORG

Date

Taxpayer Identification Number:

Form:

Tax Year(s) Ended:

Person to Contact/ID Number:

Contact Numbers:

Telephone:

ORG  
Address

CERTIFIED MAIL — RETURN RECEIPT REQUESTED

Dear :

We have enclosed a copy of our report of examination explaining why we believe an adjustment of your organization's exempt status is necessary.

If you do not agree with our position you may appeal your case. The enclosed Publication 3498, *The Examination Process*, explains how to appeal an Internal Revenue Service (IRS) decision. Publication 3498 also includes information on your rights as a taxpayer and the IRS collection process.

If you request a conference, we will forward your written statement of protest to the Appeals Office and they will contact you. For your convenience, an envelope is enclosed.

If you and Appeals do not agree on some or all of the issues after your Appeals conference, or if you do not request an Appeals conference, you may file suit in United States Tax Court, the United States Court of Federal Claims, or United States District Court, after satisfying procedural and jurisdictional requirements as described in Publication 3498.

You may also request that we refer this matter for technical advice as explained in Publication 892, *Exempt Organization Appeal Procedures for Unagreed Issues*. If a determination letter is issued to you based on technical advice, no further administrative appeal is available to you within the IRS on the issue that was the subject of the technical advice.

If you accept our findings, please sign and return the enclosed Form 6018, *Consent to Proposed Adverse Action*. We will then send you a final letter modifying or revoking exempt status. If we do not hear from you within 30 days from the date of this letter, we will process your case on the basis of the recommendations shown in the report of examination and this letter will become final. In that event, you will be required to file Federal income tax returns for the tax period(s) shown above. File these returns with the Ogden Service Center within 60 days from the date of this letter, unless a request for an extension of time is granted. File returns for later tax years with the appropriate service center indicated in the instructions for those returns.

You have the right to contact the office of the Taxpayer Advocate. Taxpayer Advocate assistance is not a substitute for established IRS procedures, such as the formal appeals process. The Taxpayer Advocate cannot reverse a legally correct tax determination, or extend the time fixed by law that you have to file a petition in a United States court. The Taxpayer Advocate can, however, see that a tax matter that may not have been resolved through normal channels gets prompt and proper handling. You may call toll-free 1-877-777-4778 and ask for Taxpayer Advocate Assistance. If you prefer, you may contact your local Taxpayer Advocate at:

If you have any questions, please call the contact person at the telephone number shown in the heading of this letter. If you write, please provide a telephone number and the most convenient time to call if we need to contact you.

Thank you for your cooperation.

Sincerely,

Marsha A. Ramirez  
Director, EO Examinations

Enclosures:  
Publication 892  
Publication 3498  
Form 6018  
Report of Examination  
Envelope

Form <b>886A</b>	Department of the Treasury - Internal Revenue Service	Schedule No. or <u>Exhibit</u>
Name of Taxpayer <b>ORG</b>	<b><u>Explanation of Items</u></b>	Year/Period Ended December 31, 20xx

Legend:

ORG = Name of ORG

Date = xx

Issues:

Whether ORG, classified as exempt under section 501(c)(4) of the Internal Revenue Code, should be revoked because providing commercial-type insurance is a substantial part of their activities.

Facts:

ORG. was granted tax exempt status under section 501(c)(4) of the Internal Revenue Code. Effective January 1, 19xx Internal Revenue Code 501(m) denied tax exemption where providing commercial-type insurance is a substantial part of an organization's activities. As a result, ORG. began filing Form 1120 in 19xx.

Law:

Internal Revenue Code 501(m) states, "An organization described in paragraph (3) or (4) of subsection (c) shall be exempt from tax under subsection (a) only if no substantial part of its activities consists of providing commercial-type insurance."

Taxpayer's Position:

ORG. agrees that, as of January 1, 19xx, "Based on ORG's operations as a commercial insurer ORG no longer qualified for a federal income tax exemption."

Government's Position:

ORG. is a commercial insurer. Providing commercial-type insurance is a substantial part of their activities. Internal Revenue Code 501(m) denies tax exempt status where providing commercial-type insurance is a substantial part of an organization's activities, so ORG. no longer qualifies for tax-exempt status effective January 1, 19xx.